

## Message Text

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64

ACTION EB-11

INFO OCT-01 AF-10 ARA-16 EUR-25 ISO-00 AGR-20 COME-00

TRSE-00 CIEP-02 STR-08 SS-20 NSC-07 SP-03 L-03 SWF-02

AID-20 IO-14 PA-04 PRS-01 USIA-15 CIAE-00 INR-10

NSAE-00 RSC-01 SIL-01 LAB-06 DRC-01 /201 W

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R 121950Z JUL 74

FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC 5959

INFO AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

AMEMBASSY CARACAS

AMEMBASSY GUATEMALA

AMEMBASSY LIMA

AMEMBASSY LONDON

AMEMBASSY MANAGUA

AMEMBASSY MEXICO

AMEMBASSY SAN JOSE

SANTO DOMINGO 117

AMEMBASSY TEGUCIGALPA

AMCONSUL SAO PAULO

AMCONSUL RIO DE JANEIRO

AMCONSUL LUANDA

LIMITED OFFICIAL USE SAN SALVADOR 2791

EO 11652: N/A

TAGS: ETRD EAGR ES

SUBJ: COFFEE - "OTROS SUAVES, S.A." AND SALVADORAN SITREP

REF: (A) SAN SALVADOR 1904 (B) SAN JOSE 2595

1. THE FOLLOWING SUMMARIES A JULY 12 DISCUSSION BETWEEN  
SALVADORAN COFFEE COMPANY (CSC) PRESIDENT JUAN ANTONIO TINOCO  
AND IMBOFF CONCERNING THE CURRENT COFFEE MARKET, PRICE DEFENSE  
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ACTIONS BY THE "OTHER MILDS" GROUP, SALVADORAN PERCEPTIONS OF THE

COFFEE SITUATION INCLUDING THE ICA NEGOTIATIONS.

2. TINOCO SAID IT WILL TAKE SOME TIME YET FOR THE "OTHER MILDS" COFFEE MARKETING COMPANY, DECIDED UPON AT THE MAY MEETING AT PUNTARENAS, TO BE FORMED DUE TO THE LEGAL WORK INVOLVED. BUT THE COMPANY IS OPERATING ON A "DE FACTO" BASIS USING FINANCING FROM PARTICIPATING "OTHER MILDS" MEMBERS, DIRECT FINANCING FROM COLOMBIA AND BRAZIL (AT VARIANCE WITH REFTEL B), AND FINANCING FROM "CAFE MUNDIAL", THE LATTER RECOGNIZING THE NECESSITY OF DEFENDING THE "OTHER MILDS" PRICE AS THE BASE PRICE FOR ALL COFFEE. THE DISCUSSION STRENGTHENED OUR GUESS (REFTEL A) THAT THE NOMINALLY NAMED "OTRAS SUAVES, S.A". WILL BE HEADQUARTERED IN SAN SALVADOR.

3. THE CURRENT MARKET IS SEENBY TINOCO AS INFLUENCED BY U.S. INVENTORIES SOME 1.5 MILLION BAGS OVER NORMAL AND A EUROPE, WITH LOW INVENTORIES, HOLDING BACK ON PURCHASES IN THE THOUGHT THAT A U.S. DOCK STRIKE WOULD IMPROVE ITS PURCHASING POSITION (THEREFORE, SALES TO EUROPE SHOULD NOW PICK UP). THE "C CONTRACT," NEVER POPULAR WITH THE CSC, WAS FUTHER VILIFIED BY TINOCO. HE CLAIMED THAT THE "OTHER MILDS" PRICE INDICATOR HAS BEEN REFLECTING THE "C CONTRACT", NOT THE SPOT PRICES. HE ASKS HOW THE INDICATOR CAN REFLECT \$2 MOVEMENTS IN A DAY, MOVEMENTS WHICH DO NOT USUALLY OCCUR IN THE SPOT MARKET. HE SAID THE BRAZILIAN SALES HAVE BEEN MODERATE AND THAT THE COLOMBIANS ARE UNHAPPY SELLING AT PRICES ACTUALLY (WITH REBATING ON THEIR LONG-TERM CONTRACTS) LOWER THAN THE "OTHER MILDS."

4. CONCERNING THE RENEGOTIATION OF AN ICA, TINOCO CONTINUES TO VIEW BRAZIL AS THE CRITICAL COUNTRY. HE MAINTAINS THAT THE PRODUCERS ARE IN ACCORD FAVORING AFREE MARKET, BUT THEY ARE AT ODDS WITH EACH OTHER OVER THE VOTING STRENGTH AND QUOTAS WITH MOST DEMANDING THAT BRAZIL RELINQUISH ITS TRADITIONAL POWER POSITION. THE CSC POSITION APPEARS MORE INCLINED TO STAY WITHIN THE COFFEE CLUB, BUT ITS BASIC CONDITION OF A MINIMUM QUOTA OF 2.3 TO 2.5 MILLION BAGS REMAINS UNCHANGED.

5. TINOCO BELIEVES THAT WITHIN THE "OTHER MILDS" EL SALVADOR, WITH SOME 500,000 BAGS ON HAND OF THE LAST CROP, HAS THE STRONGEST MARKET POSITION. THIS INVENTORY INCLUDES, HOWEVER, THE 10 LIMITED OFFICIAL USE

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PERCENT RETENTION WHICH HE SAYS WILL NOT BE SOLD UNTIL AFTER SEPTEMBER. WITH SALES TO DATE IN THIS COFFE YEAR OF SOME 1.9 MILLION BAGS THE CSC IS STICKING TO ITS EARLIER PREDICTION OF SELLING ROUGHLY 2.2 MILLION BAGS OF 60 KILOS. THE AVERAGE SALES PRICE THIS COFFEE YEAR IS \$71.00, ACCORDING TO TINOCO. THE GOES CUSTOMS FIGURES FOR THE FIRST QUARTER OF 1974 SHOW EXPORTS OF SOME 702,00 BAGS VALUED AT \$59.5 MILLION, OF SOME \$65 A CWT. SHIPPING PROBLEMS OCCURRED IN THE FIRST QUARTER BUT COFFEE IS

MOVING WELL NOW. THE 1973/74 CROP FIGURE IS STILL TENTATIVE  
(1.8-1.9 MILLION EXPORTABLE), THE ROUGH GUESS FOR 1974/75  
BY TINOCO IS 2.4 MILLION EXPORTABLE. THE CENTRAL RESERVE BANKS'S  
ESTIMATE FOR COFFEE EXPORTS FOR 1974, USING AN ADMITTEDLY CONSERVATIVE

\$66 CWT AND 2.37 MILLION BAGS (60 K), IS \$204.3 MILLION. THIS  
REASONABLE ESTIMATE WOULD PROVIDE A 24 PERCENT INCREASE OVER THE  
\$165 MILLION IN COFFEE RECEIPTS IN 1973.  
CAMPBELL

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** COFFEE, PERSONAL OPINION, EXPORT PRICES, MARKET SURVEYS, MEETINGS, MEETING REPORTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 12 JUL 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** shawdg  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974SANSAS02791  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D740187-0851  
**From:** SAN SALVADOR  
**Handling Restrictions:** n/a  
**Image Path:**  
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**Line Count:** 124  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:**  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** (A) SAN SALVADOR 1904 (B) SAN JOSE 2, 595  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** shawdg  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 25 JUN 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <25 JUN 2002 by boyleja>; APPROVED <26 FEB 2003 by shawdg>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** COFFEE - "OTROS SUAVES, S.A." AND SALVADORAN SITREP  
**TAGS:** ETRD, EAGR, ES, ICA, OTROS SUAVES S A, SALVADORAN COFFEE CO, (ANTONIO TINOCO, JUAN)  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005